

Royal Canadian Ventures Ltd.

ANNUAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 1968



A member of the DYNAMIC GROUP

1968

Fifteenth Annual Report

to September 30, 1968

of

ROYAL CANADIAN VENTURES LTD.

(Incorporated under the Companies Act of the Province of Alberta)

AUTHORIZED CAPITAL

5,000,000 shares without nominal or par value

Issued: 4,400,723

REGISTERED OFFICE

210 Fina Building, 736 - 8th Avenue South West

Calgary, Alberta, Canada

OFFICERS and DIRECTORS

Archibald Park Newall, Jr., President Calgary, Alberta

Frank Brown, Vice-President Calgary, Alberta

Robert Clive Brown, Secretary-Treasurer Calgary, Alberta

REGISTRAR

Guaranty Trust Company of Canada Calgary, Alberta

TRANSFER AGENT

Guaranty Trust Company of Canada Calgary, Alberta
Vancouver, B.C.

AUDITORS

Peat, Marwick, Mitchell & Co., Chartered Accountants Calgary, Alberta

BANKERS

Royal Bank of Canada, 8th Avenue and Centre Street Calgary, Alberta

LISTED

Vancouver Stock Exchange

Report of the Directors

TO THE SHAREHOLDERS

The annual report and financial statements of the Company for the year ended September 30, 1968 are presented herewith.

CORPORATE AFFAIRS

The Company is the beneficial owner of 1,068,854 shares of the issued and outstanding share capital of Mill City Petroleums Limited representing an investment in the sum of \$356,962. The quoted market value of the said shares at September 30, 1968, the date of the accompanying balance sheet, was \$1,453,641, whereas at the date of this report the quoted market value of said shares has increased to \$4,168,531.

Mill City Petroleums Limited and Dynamic Petroleum Products Ltd. are the beneficial owners of 792,000 shares and 1,700,000 shares respectively, equal in the aggregate to 57% of the issued and outstanding share capital of this Company.

FINANCIAL

During the year under review the operations of the Company resulted in a net loss of \$66,551 as compared with a net loss during the preceding year of \$122,551. The decrease of \$56,000 is summarized as follows:

REVENUE:	<u>1968</u>	<u>1967</u>	<u>increase (decrease)</u>
Income from production, royalties and interest	\$ 73,530	\$ 72,373	\$ 1,157
Gain on sale of properties	44,650	—	44,650
	<u>118,180</u>	<u>72,373</u>	<u>45,807</u>
EXPENSE:			
Geological and geophysical surveys	71,592	65,913	5,679
Lease rentals and other carrying charges . .	11,820	3,719	8,101
Non-productive drilling costs	41,660	80,511	(38,851)
Loss on P. & N.G. and other interests acquired in prior years and abandoned in the current year	8,605	3,742	4,863
Administrative and general expense	31,519	29,046	2,473
Depletion and depreciation	19,535	11,993	7,542
	<u>184,731</u>	<u>194,924</u>	<u>(10,193)</u>
Net loss for the year	<u>\$ 66,551</u>	<u>\$122,551</u>	<u>\$ (56,000)</u>

During the current year the Company expended the sum of \$149,242 for purposes of exploration and development activity as follows:

Acquisition of petroleum, natural gas and mining interests		\$ 1,738
Drilling costs -		
Non-productive wells	\$41,660	
Productive wells	<u>13,087</u>	54,747
Geological and geophysical surveys		71,592
Lease rentals and other carrying charges		11,820
Production and other equipment		<u>9,345</u>
		<u>\$149,242</u>

as compared to the sum of \$172,308 expended during the preceding year.

Properties abandoned in the current year comprise, in the main, the Leduc D-2B Unit containing some 110 wells in which the Company had a .89106% interest. The Company's investment in this unit which suspended operations in February, 1968, amounting to \$67,881, was written off resulting in a net loss of \$7,910.

EXPLORATION

GENERAL

The much publicized oil discovery in the Prudhoe Bay area of Alaska has shifted the exploration front and the search for major oil reserves is in new basin areas in the Yukon, Northwest Territories, the Arctic Islands and offshore from both the east and west coasts where the oil and gas industry will expend vast sums in 1969. Your Company does not have the financial resources to extend its gas and oil exploration activity into these areas which involves tremendously high costs and as a result has entered into a stepped up exploration program, in co-operation with associated companies, in the search for base and precious metals. Results attained to the date of this report are indeed encouraging and could materially affect the future prosperity of the Company.

SASKATCHEWAN URANIUM OPERATIONS

In 1967 Royal Canadian Ventures and associated companies completed an extensive preliminary uranium exploration program covering the entire Athabasca Sandstone area of northern Saskatchewan comprising some 25 million acres. This program involved the flying of approximately 15,000 linear miles of traverses across the subject area using aircraft owned by our group of companies which was equipped with the latest and most modern uranium detection equipment. Results obtained were then interpreted by Seigel Associates Limited of Toronto, consulting geophysicists, and by company geologists.

Following completion of the aforesaid exploration program and the interpretation of the results thereof a joint mineral exploration agreement was entered into with Gulf Minerals Company, a wholly-owned subsidiary of Gulf Oil Corporation, Pittsburgh, U.S.A.

Pursuant to the terms of this agreement Gulf conducted an extensive on-the-ground exploration program employing surface geological parties, four diamond drilling crews and support aircraft.

On December 3, 1968 Gulf issued a press release at a press conference attended by the Premier of the Province of Saskatchewan, in Regina, Saskatchewan, to announce that it had drilled an exploratory hole in which it had encountered ore grade uranium mineralization. Such hole was drilled at an angle for a depth of approximately 500 feet and a gamma ray log showed an equivalent average grade of approximately 0.6% uranium oxide (U_3O_8) in selected zones totalling 195 feet. The ore grade indicated is reported to be three times better than that found at Beaverlodge, Saskatchewan, and at least four to five times better than Elliot Lake, Ontario. (Reference should be made to our Special Report on Uranium dated December 4, 1968 which was mailed to all shareholders of record.)

The discovery above mentioned triggered a rush on the part of other individuals and companies, unprecedented in the history of the Province of Saskatchewan, to file on mineral exploration permits in the said Athabasca Sandstone area, all of which was covered by the airborne radiometric survey conducted by our group of companies. This discovery could very materially affect the future prosperity of this Company and its shareholders.

Gulf Minerals Company at the date of this report is preparing to re-enter the area in order to determine the extent of the aforesaid discovery and to continue its exploration program over a minimum of 1,800,000 acres which are subject to the terms of our agreement. The Company plans to keep all shareholders informed as to the progress of the work and results attained, as and when concrete information is available, through the medium of special reports.

Included in this report is a map of the Athabasca Sandstone area including the Wollaston Lake uranium area of the Province of Saskatchewan showing thereon all mineral exploration permits issued to the date of such map according to the best of our information and belief. Insofar as the mineral exploration permits subject to our agreement with Gulf Minerals Company are concerned, which at the date hereof comprise a minimum of 1,800,000 acres, Royal Canadian Ventures will have a direct 12½% interest in 20% of the net profits accruing under the terms of the said agreement.

In addition to the interest in lands subject to the aforesaid agreement with Gulf Minerals Company, Royal Canadian Ventures Ltd. and New Continental Oil Company of Canada Limited, each as to an undivided 50% working interest, acquired three mineral prospecting permits in the Wollaston Lake uranium area comprising approximately 535,000 acres as shown on the map accompanying this report. An agreement covering two of the said permits has been entered into with Excel Petroleum Ltd., a subsidiary of Commonwealth Petroleum Services Ltd., pursuant to the terms of which Excel has acquired a 40% undivided working interest in each permit subject to their expending on each permit on or before December 31, 1972, the sum of \$850,000 by way of exploration and development. Royal Canadian Ventures Ltd. is the operator of this project.

OTHER MINING OPERATIONS

Royal Canadian Ventures in co-operation with associated companies is continuing its exploration program and the acquisition of mineral claims in the Province of British Columbia through an exploration office established in Kamloops, B.C., and is also participating in exploration programs on the ground and in the air over areas in the Provinces of Alberta and Saskatchewan and in the Northwest Territories in the search for uranium and other minerals.

Again, we wish to express our appreciation to all employees and shareholders of the Company for their continued interest and loyal support.

Respectfully submitted
on behalf of the Board

A. P. NEWALL, Jr.

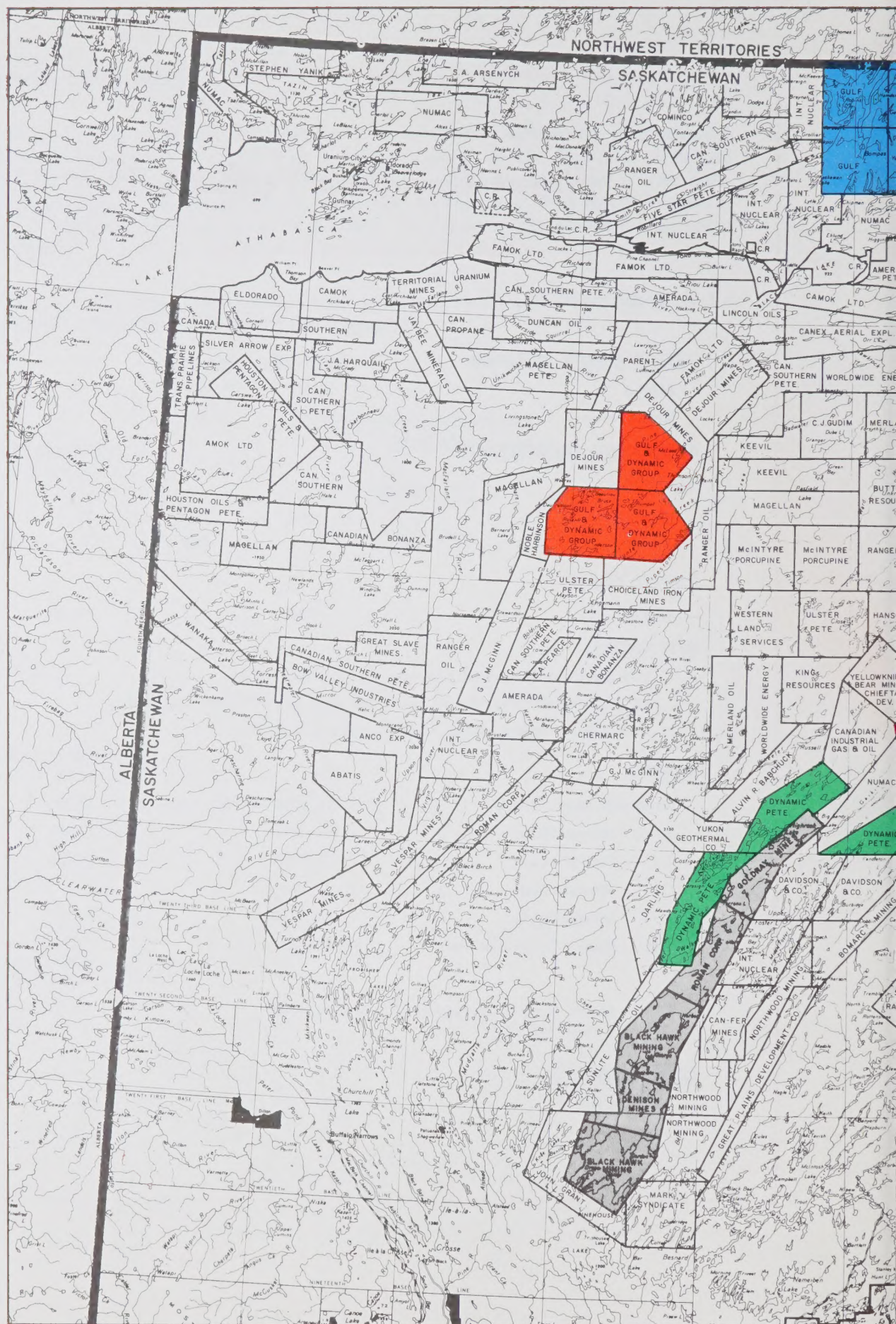
President

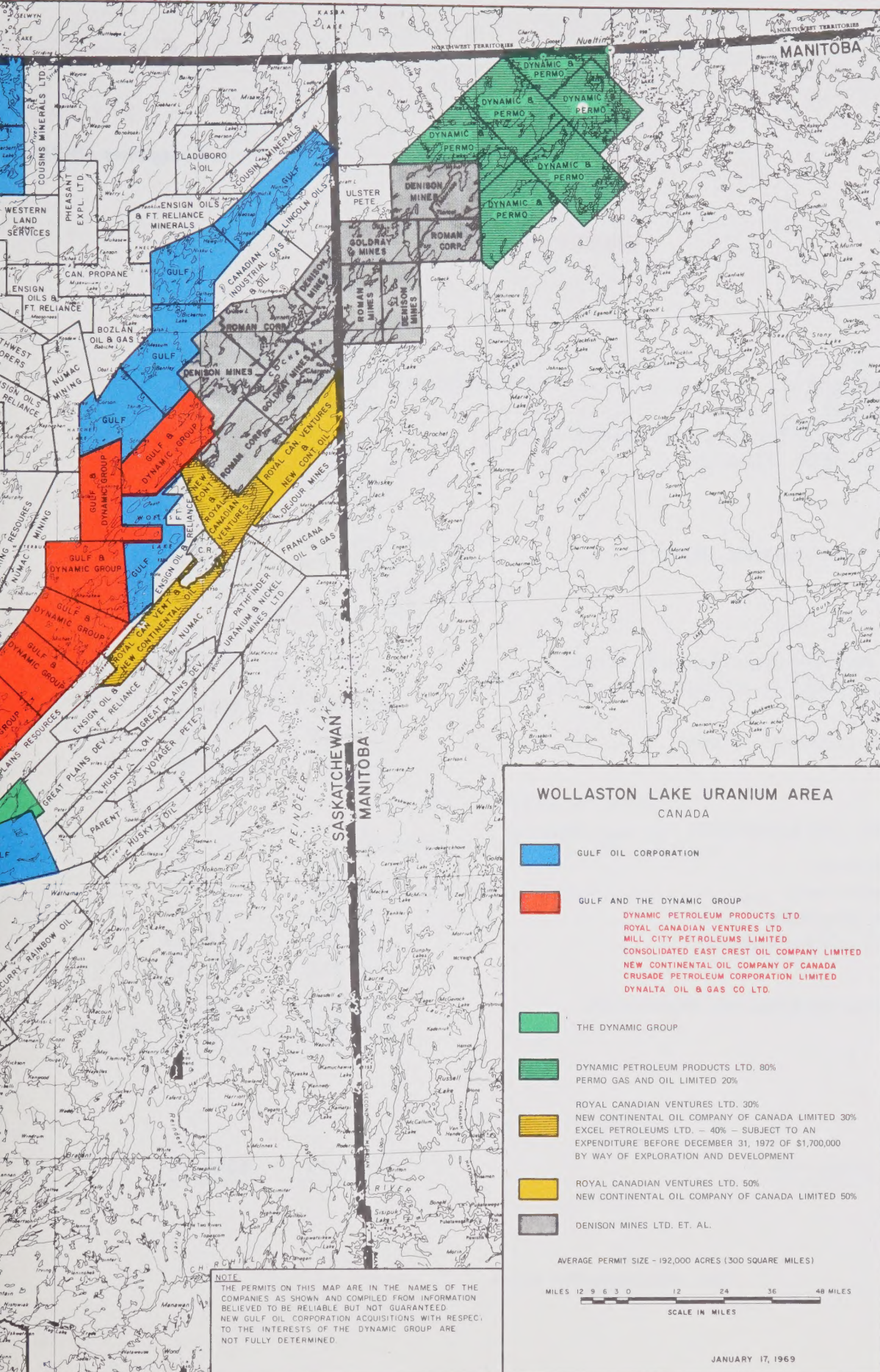
Calgary, Alberta
January 27, 1969.

Royal Canadian Ventures Ltd.

ACREAGE HOLDINGS AT SEPTEMBER 30, 1968

<u>EXPLORATORY ACREAGE</u>		<u>Gross Acres</u>	<u>Net Acres</u>	
Alberta	.....	6,237	784	
Saskatchewan	.....	5,918	765	
<u>PRODUCING PROPERTIES</u>				<u>WORKING INTEREST</u>
<u>ALBERTA</u>				<u>%</u>
Clive	.....	160	80	50.
Hussar	.....	7,670	684	4.375 to 13.125
<u>SASKATCHEWAN</u>				
Willmar	.....	160	27	16.666
<u>ROYALTIES</u>				
1. 2½% gross overriding royalty on 960 acres at Clive, Alberta.				
2. 5% gross overriding royalty on oil on 160 acres in the Cessford Gas Unit.				
3. .75% gross overriding royalty on 3,840 acres at Zama West.				
<u>MINING</u>		<u>Gross</u>	<u>Net</u>	<u>WORKING INTEREST</u>
				<u>%</u>
Vancouver Island Permits	.....	126,314 acres	18,045 acres	14.286
B. C. - Mineral Claims	.....	484 claims		14.286
- Mineral Leases	.....	2 leases		14.286
- Mineral Claims	.....	20 claims		15.
- Mineral Claims	.....	44 claims		100.
Sask. - Mineral Exploration Permits		1,728,000 acres		12.5% interest in 20% defined net profits interest.
- Mineral Exploration Permits (Wollaston Lake)		345,000 acres		50.
<u>COAL LICENCES</u>				
Flathead, B.C.		19,594 acres		10.





Royal Canadian

BALANCE

September 30, 1968

ASSETS

	<u>1968</u>	<u>1967</u>
CURRENT		
Cash	\$ 7,778	\$ 14,265
Short term deposits	60,000	80,000
Accounts receivable	48,089	18,386
Government of Canada bonds - at cost (market value 1968 - \$7,863; 1967 - \$28,613)	8,713	30,494
	<u>124,580</u>	<u>143,145</u>
OPERATING AND PERFORMANCE DEPOSIT	<u>21,781</u>	<u>7,143</u>
INVESTMENTS		
Shares of Mill City Petroleum Limited - at cost (market value 1968 - \$1,453,641; 1967 - \$1,817,052) (Note 2)	356,962	356,962
Shares of other companies - at cost	<u>7,335</u>	<u>7,335</u>
	<u>364,297</u>	<u>364,297</u>
PROPERTY, PLANT AND EQUIPMENT - at cost (Note 1)		
Producing properties	444	444
Well development costs	261,495	312,982
Non-producing properties	22,436	21,393
Production and other equipment	80,849	74,202
	<u>365,224</u>	<u>409,021</u>
Less accumulated depletion and depreciation	<u>186,783</u>	<u>226,610</u>
	<u>178,441</u>	<u>182,411</u>
	<u>\$689,099</u>	<u>\$696,996</u>

See accompanying notes.

Ventures Ltd.

SHEET

(With comparative figures for 1967)

LIABILITIES

	<u>1968</u>	<u>1967</u>
CURRENT		
Bank loan - secured	\$ 100	\$ 100
Accounts payable and accrued liabilities	<u>38,526</u>	<u>13,206</u>
	<u>38,626</u>	<u>13,306</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 3)		
Common shares of no par value.		
Authorized - 5,000,000 shares;		
Issued - 4,400,723 shares		
(1967 - 4,267,389)	1,322,664	1,289,330
Deficit	<u>672,191</u>	<u>605,640</u>
	<u>650,473</u>	<u>683,690</u>

Approved on behalf of the Board

ARCHIE P. NEWALL, JR., Director

R. C. BROWN, Director

<u>\$689,099</u>	<u>\$696,996</u>
------------------	------------------

Royal Canadian Ventures Ltd.

STATEMENT OF LOSS AND DEFICIT

for the Year Ended September 30, 1968

(With comparative figures for 1967)

	<u>1968</u>	<u>1967*</u>
REVENUE		
Crude oil and natural gas sales less royalties	\$ 91,142	\$ 89,990
Less production expenses	24,964	26,654
	<u>66,178</u>	<u>63,336</u>
Royalties	757	942
Interest	6,595	8,095
	<u>73,530</u>	<u>72,373</u>
EXPENSE		
Administrative and general	31,519	29,046
Exploratory costs, lease rentals, etc.	83,412	69,632
	<u>114,931</u>	<u>98,678</u>
CASH LOSS FROM OPERATIONS	<u>41,401</u>	<u>26,305</u>
ADD		
Depletion	16,096	9,212
Depreciation	3,439	2,781
Abandonments:		
Petroleum and natural gas interests and mining claims ..	695	5,125
Well development costs	49,206	80,511
Loss (gain) on sale of fixed assets	364	(1,383)
	<u>69,800</u>	<u>96,246</u>
DEDUCT		
Gain on sale of properties	<u>44,650</u>	
NET LOSS	66,551	122,551
DEFICIT, beginning of year	<u>605,640</u>	<u>483,089</u>
DEFICIT, end of year	<u>\$672,191</u>	<u>\$605,640</u>

* 1967 reclassified for comparative purposes.

See accompanying notes.

Royal Canadian Ventures Ltd.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the Year Ended September 30, 1968.

(With comparative figures for 1967)

	<u>1968</u>	<u>1967</u> *
SOURCE OF FUNDS		
Proceeds from sale of properties	\$ 44,650	\$ 1,500
Proceeds from shares issued pursuant		
to stock options granted (Note 3)	33,334	16,666
	<u>77,984</u>	<u>18,166</u>
APPLICATION OF FUNDS		
Cash loss from operations	41,401	26,305
Increase in operating and performance deposit	14,638	7,143
Petroleum and natural gas and mining interests	1,738	12,417
Well development costs, including dry holes	54,747	80,511
Production and other equipment	9,345	9,748
	<u>121,869</u>	<u>136,124</u>
DECREASE IN WORKING CAPITAL	43,885	117,958
WORKING CAPITAL, beginning of year	<u>129,839</u>	<u>247,797</u>
WORKING CAPITAL, end of year	<u>\$ 85,954</u>	<u>\$129,839</u>

* 1967 reclassified for comparative purposes.

See accompanying notes.

Royal Canadian Ventures Ltd.

NOTES TO FINANCIAL STATEMENTS

September 30, 1968

1. ACCOUNTING POLICY

The company's policy is to capitalize the acquisition costs of petroleum and natural gas and mining interests together with development costs thereon. Carrying costs and exploration expenses are charged against income as incurred. Acquisition costs of producing properties together with related development costs and production equipment are written off on a unit of production basis. The costs of non-producing properties and unproductive development are charged against income in the year of abandonment.

2. MARKET VALUE OF INVESTMENT

Due to the number of shares involved in the investment in Mill City Petroleums Limited, the quoted market value is not necessarily indicative of the amount that could be realized if the shares were to be sold.

3. EMPLOYEES' STOCK OPTIONS

During the year 133,334 shares were issued to directors for a cash consideration of \$33,334 pursuant to a stock option agreement. There are no further stock options outstanding.

4. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Included in general and administrative expense is an amount of \$10,163, being the company's share of remuneration paid to directors and senior officers.

AUDITORS' REPORT

To the Shareholders of
Royal Canadian Ventures Ltd.

We have examined the balance sheet of Royal Canadian Ventures Ltd. as of September 30, 1968 and the statements of loss and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company at September 30, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
November 26, 1968.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Royal Canadian Ventures Ltd. and Associates have recently completed a joint mineral exploration agreement with Gulf Minerals Company, a wholly owned subsidiary of Gulf Oil Corporation, Pittsburgh, U.S.A., involving all of the mineral exploration permits of Royal Canadian Ventures Ltd. and Associates in the Athabasca Sandstone area of Northern Saskatchewan.

Under the terms of this agreement:

- Gulf acquired three additional mineral exploration permits which were then pooled with the six permits held by Royal Canadian Ventures Ltd. and Associates to give a total of 1,728,000 acres of pooled permits.
- Gulf paid Royal Canadian Ventures Ltd. and Associates a cash consideration exceeding their exploration costs to date.
- Gulf replaced deposits which had been posted by Royal Canadian Ventures Ltd. and Associates with the Government of Saskatchewan to guarantee performance.
- Gulf agreed, at its sole cost and expense, to explore the permit lands for the purpose of locating economically attractive deposits of minerals. If such deposits are found to exist in the lands, Gulf shall develop the deposits, construct and operate mines, concentrators and support facilities for the purpose of producing mineral concentrates.
- Royal Canadian Ventures Ltd. and Associates as to a one-eighth interest each, retained a substantial net profits interest as follows:
 - A 10% net profits interest until Gulf recovers its investment; and
 - A 20% net profits interest thereafter.

Preparations are presently being made by Gulf Minerals Company for an early start on its 1968 mineral exploration program, under the terms of the joint mineral exploration agreement.

British Columbia Mining Operations

As mentioned in previous reports, the Company has a one-seventh interest in a large number of mining claims and mineral leases in the Province of British Columbia, and is participating with associated companies in geophysical and geochemical surveys which are in various stages of completion. Additional properties are being staked from time to time, as a result of prospecting and other forms of field exploration. The program is operated for the group of companies by Royal Canadian Ventures Ltd. through an exploration office established in Kamloops, B.C.

On Vancouver Island the Company has a one-seventh interest in approximately 161,000 acres of mineral lands which were acquired pursuant to an agreement entered into between Royal Canadian Ventures Ltd. and Canadian Pacific Oil and Gas Limited. A geochemical survey has recently been carried out over these properties for purposes of a preliminary evaluation. Further exploration of these lands is anticipated in the near future.

On the Company's wholly owned Highland Valley, British Columbia properties, diamond drilling done to date on the Royal, Cana, and R.C. Groups of claims has not yielded anything commercial. Further evaluation of the property is being considered.

Royal Canadian Ventures Ltd. also has a 15% carried interest in the block of mineral claims held by Alwin Mining, surrounding the two Crown granted mineral claims on which Alwin Mining is reportedly proving up a copper ore body.

Calgary, Alberta
May 21, 1968

Respectfully submitted,
On Behalf of the Board of Directors
ARCHIE P. NEWALL, Jr., President

ROYAL CANADIAN VENTURES LTD.

Unaudited Report for the Six Months Ended March 31

STATEMENT OF INCOME AND EXPENSES

	1968	1967
Revenue		
Crude oil and natural gas sales less royalties . .	\$ 48,047	\$ 45,080
Less production expenses	13,210	14,535
	<u>34,837</u>	<u>30,545</u>
Royalties	480	394
Interest	<u>2,585</u>	<u>4,547</u>
	<u>37,902</u>	<u>35,486</u>
Expense		
Administrative and general	16,422	13,847
Exploratory costs, lease rentals, dry hole costs, etc.	<u>73,469</u>	<u>96,462</u>
	<u>89,891</u>	<u>110,309</u>
Cash Loss from Operations	51,989	74,823
Add — Lease abandonments	659	—
Depreciation and depletion	<u>7,000</u>	<u>6,000</u>
	<u>59,648</u>	<u>80,823</u>
Deduct — Gain on sale of properties	<u>42,500</u>	<u>—</u>
Net Loss for the period	<u>\$ 17,148</u>	<u>\$ 80,823</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

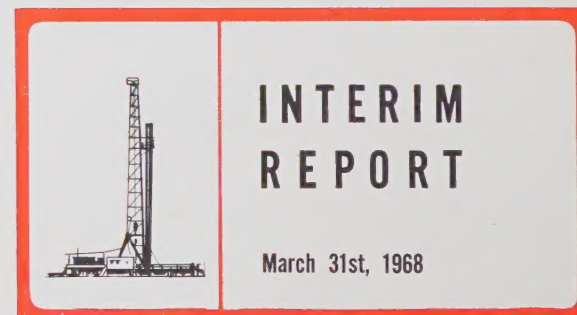
Source of Funds		
Issue of treasury shares	\$ 33,333	\$ 16,667
Proceeds from sale of properties	42,500	—
	<u>75,833</u>	<u>16,667</u>
Application of Funds		
Cash loss from operations	51,989	74,823
Increase in performance deposits	17,857	1,000
Petroleum and natural gas and mining interests	710	12,417
Well development costs	13,087	—
Production equipment	<u>8,874</u>	<u>6,012</u>
	<u>92,517</u>	<u>94,252</u>
Decrease in working capital	16,684	77,585
Working capital, beginning of period	<u>129,839</u>	<u>247,797</u>
Working capital, end of period	<u>\$113,155</u>	<u>\$170,212</u>

(subject to adjustment at year-end)

cler

file

ROYAL
CANADIAN
VENTURES LTD.



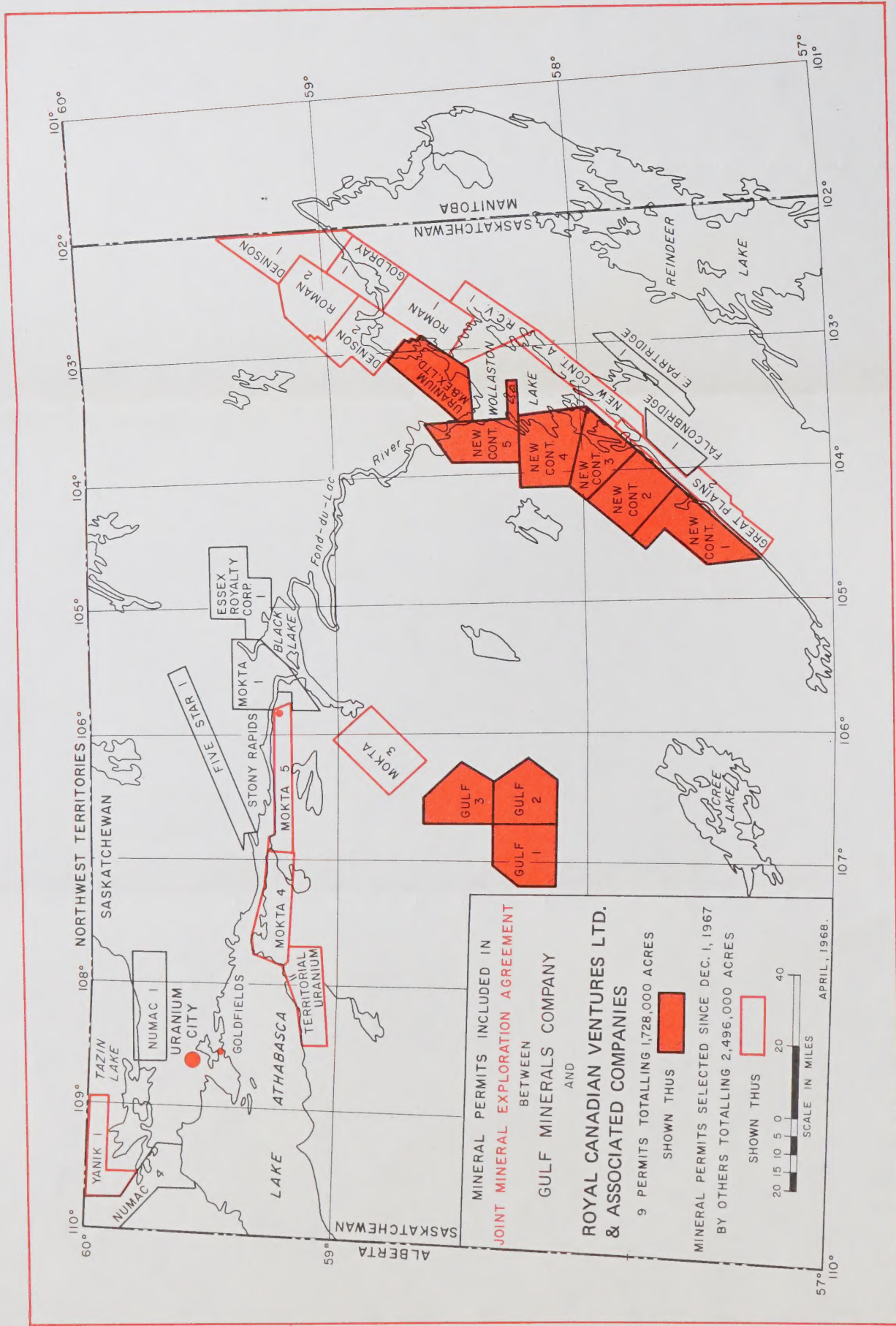
To date, the results of the uranium exploration program are encouraging and support the Athabasca Sandstone theory. On November 30, 1967, New Continental Oil Company of Canada Limited on behalf of itself, Royal Canadian Ventures Ltd. and other associated companies, made application for five mineral exploration permits, totalling 960,000 acres. On December 1, 1967, the Denison group of companies, namely Denison Mines Ltd., Roman Corporation and Goldray Mines Ltd., made application for five mineral exploration permits totalling 960,000 acres on trend and due northeast of those taken by New Continental and Associates. Great Plains applied for one permit (192,000 acres) adjoining those of New Continental on the southeast and between New Continental and Falconbridge Nickle Mines Ltd. Mokta (Canada) Ltd. made application for three mineral exploration permits totalling 576,000 acres on the northern part of the Athabasca Sandstone area. All of the permits applied for have since been granted and are shown on the map which is part of this report.

At this point, we would like to make it quite clear that the mineral exploration permits referred to herein, and which were acquired by New Continental Oil Company, Royal Canadian Ventures Ltd. and Associates, give the holders the right not only to prospect for uranium, but for all minerals. Exploration work being conducted in the general area by others indicates the presence of base metals; therefore, future exploration programs will be designed to evaluate the permit lands for these minerals as well as for uranium.

Seigel Associates Limited of Toronto have been retained by the group as Consulting Geophysicists, and have been mainly responsible for interpreting the results of the survey.

Joint Mineral Exploration Program — Saskatchewan

Since December 1, 1967, eight additional mineral exploration permits have been applied for and issued, totalling 1,536,000 acres in the same general area as those referred to previously herein. The location of these and all permits referred to herein, and the names of the respective permittees are shown on the map included in this report.



detection equipment installed. The program continued throughout the summer and fall of that year and was suspended in October 1967 when bad weather continued to make low level flying unsafe. The preliminary survey, however, was completed. New Continental Oil Company of Canada Limited was the Operator of this project.

conduct an extensive uranium exploration program in the Athabasca Sandstone area of Northern Saskatchewan. This is a large, relatively uninhabited area to the south and east of Lake Athabasca and Uranium City. Approximately 15,000 linear miles of traverses were flown using the Company's own aircraft with the latest and most modern uranium

TO THE SHAREHOLDERS Saskatchewan Uranium Survey

Early in 1967, Royal Canadian Ventures Ltd. and associated companies entered into an agreement with the Government of Saskatchewan, to